

CALIFORNIA



WOMEN, INFANTS & CHILDREN

Families grow healthy with WIC

FI Redemption Changes

The Child Nutrition and WIC Reauthorization Act of 2004:

■ Cost Containment - Federal Requirements:

- ☐ Ensure cost neutrality of above-50-percent vendors
- ☐ Implement a vendor peer group system (at least two criteria, one must be geographically based)
- ☐ Establish reimbursement rates for each peer group
- ☐ Establish competitive price criteria for evaluating a store's prices

■ Any Authorized Vendor (AAV) - Federal Requirement:

- ☐ WIC participants may redeem Food Instruments (FI) at any WIC authorized vendor. FIs no longer store specific.

■ California's plan for meeting these requirements have been approved by USDA

Red = Phase 1 implementation of cost containment - June 1.

Red & Blue = Phase 2 implementation of cost containment & AAV - beginning October 1.

FI Redemption Changes – June 1

Ensure cost neutrality of **above-50-percent** vendors

- Operational since June 1: the maximum allowable rate for above-50-percent vendors is different than rate for regular vendors
- Affects only WIC vendors designated as *above-50-percent* (stores that have 50% or more of their annual food sales revenue from WIC FIs)
- No changes for regular vendors

August WIC Vendor News



- Topics:
 - Peer Group Methodology
 - Determining Reimbursement Rates
 - Any Authorized Vendor
 - New WIC Logo
- Mailed to all business owners
- Available on WIC website:
www.wicworks.ca.gov

California's Peer Group Methodology

Based upon three characteristics:

- **Store Type**
- **Number of Registers**
- **Geography**

California's Peer Group Methodology

Characteristic 1:

Store Type

■ Above-50-Percent Vendor

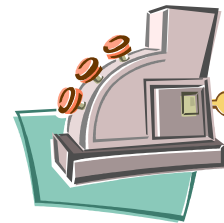
- ☐ Federal definition: Above-50-percent vendor is one who derives more than 50 percent of its annual food sales revenue from WIC food instruments

■ Regular Vendor

- ☐ Regular vendor does not meet the federal definition of above-50-percent vendor

California's Peer Group Methodology

Characteristic 2:

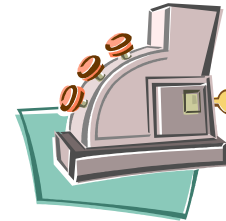


Number of Registers

- Five-year study (2000–2004) conducted by the WIC program
 - Number of cash registers correlates strongly with the prices of supplemental foods at regular stores
- More recent analyses from 2005 confirms relationship between number of cash registers and food prices persists over time

California's Peer Group Methodology

Characteristic 2:

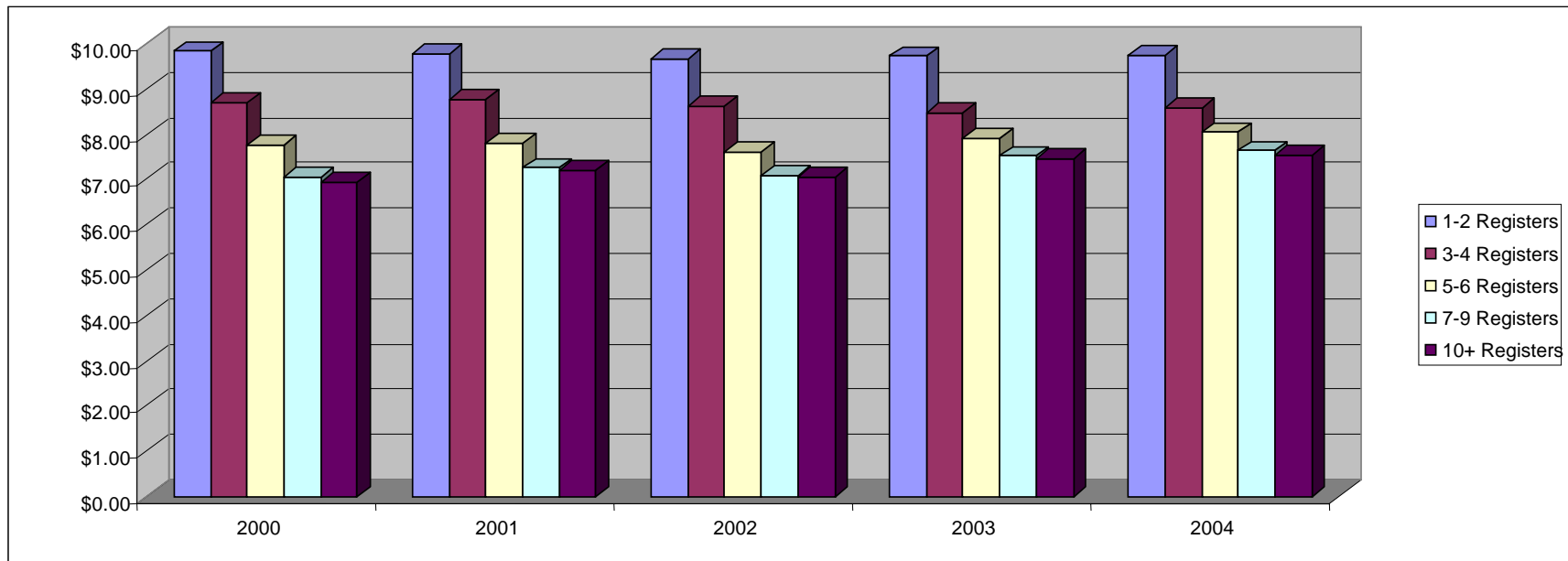


Number of Registers

- ☐ 1-2 registers
- ☐ 3-4 registers
- ☐ 5-6 registers
- ☐ 7-9 registers
- ☐ 10+ registers

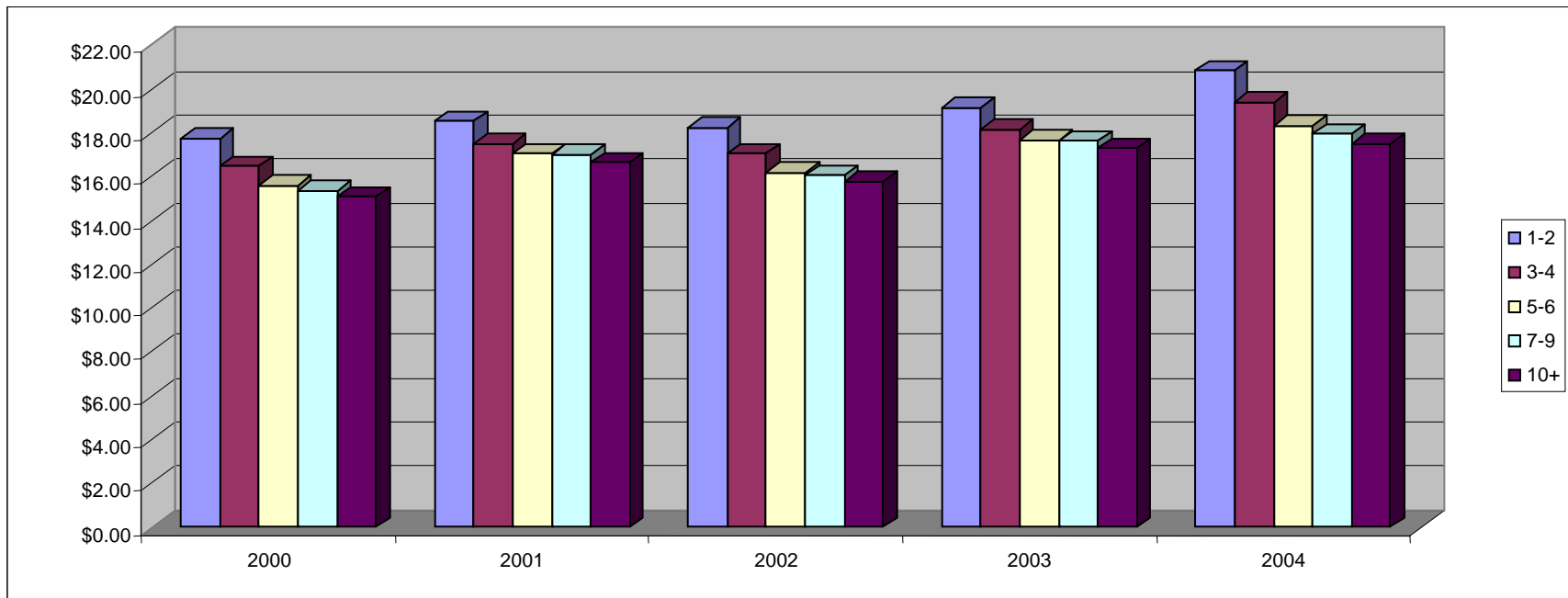
Note: Not a characteristic for Above-50-Percent vendors

Relationship of Registers & Redemption Cereal FI ~ Average Cost Per Year (Sept – Nov) by Register Group Redemption Data for Regular Stores Only



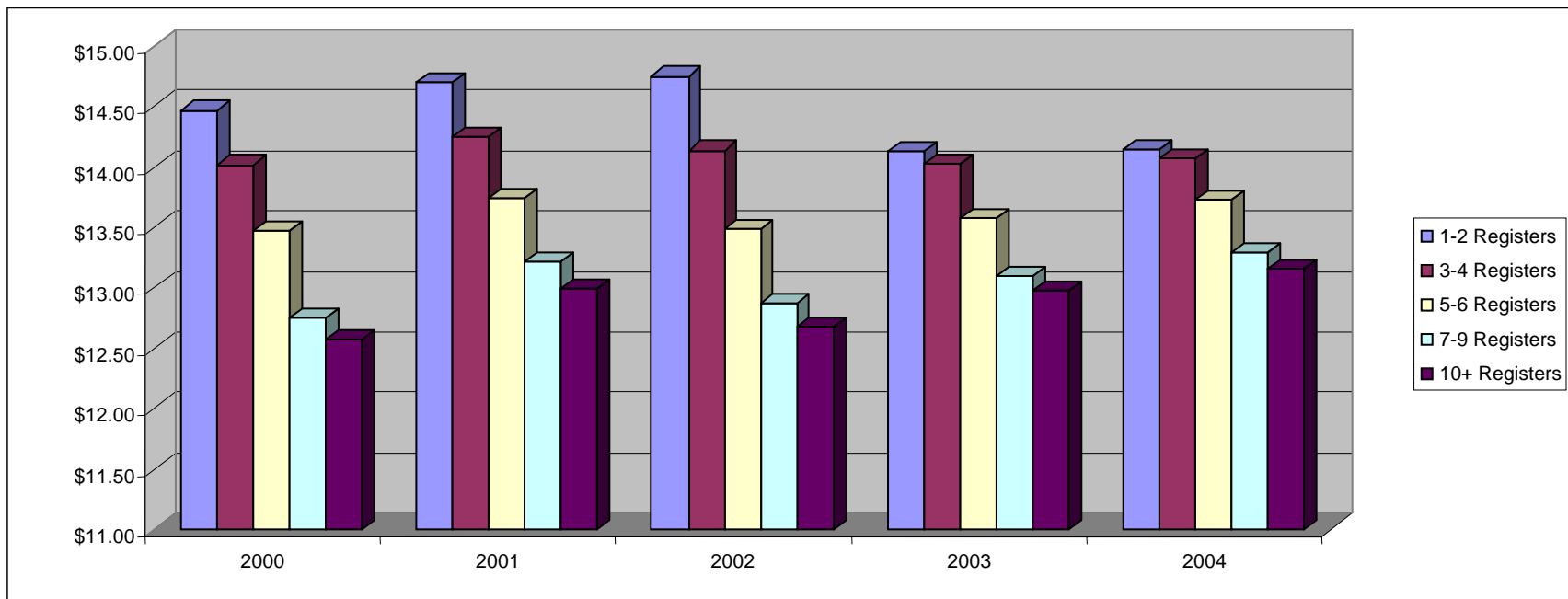
CA redemption data analyzed by
Burger Carroll and Associates

Relationship of Registers & Redemption Combo Milk/Cheese/Egg FI ~ Average Cost Per Year (Sept – Nov) by Register Group Redemption Data for Regular Stores Only



CA redemption data analyzed by
Burger Carroll and Associates

Relationship of Registers & Redemption Infant Formula ~ Average Cost Per Year (Sept – Nov) by Register Group Redemption Data for Regular Stores Only



CA redemption data analyzed by
Burger Carroll and Associates

California's Peer Group Methodology

Characteristic 3:

Geography

- Geography is a federal requirement
- Three geographic areas based upon groups of counties
- Above-50-Percent vendors in one statewide geographic group

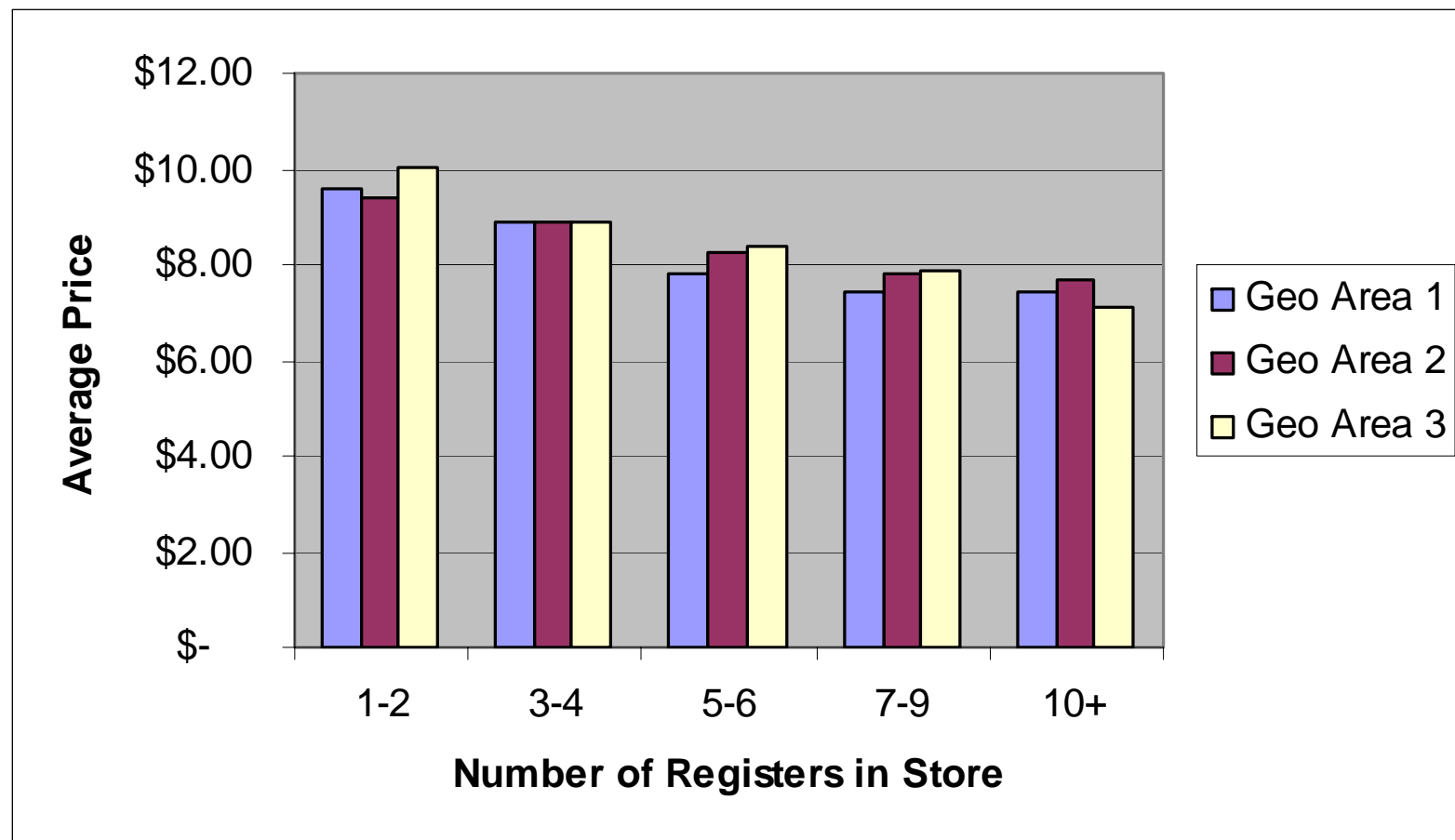
California's Peer Group Methodology

Characteristic 3: Geography



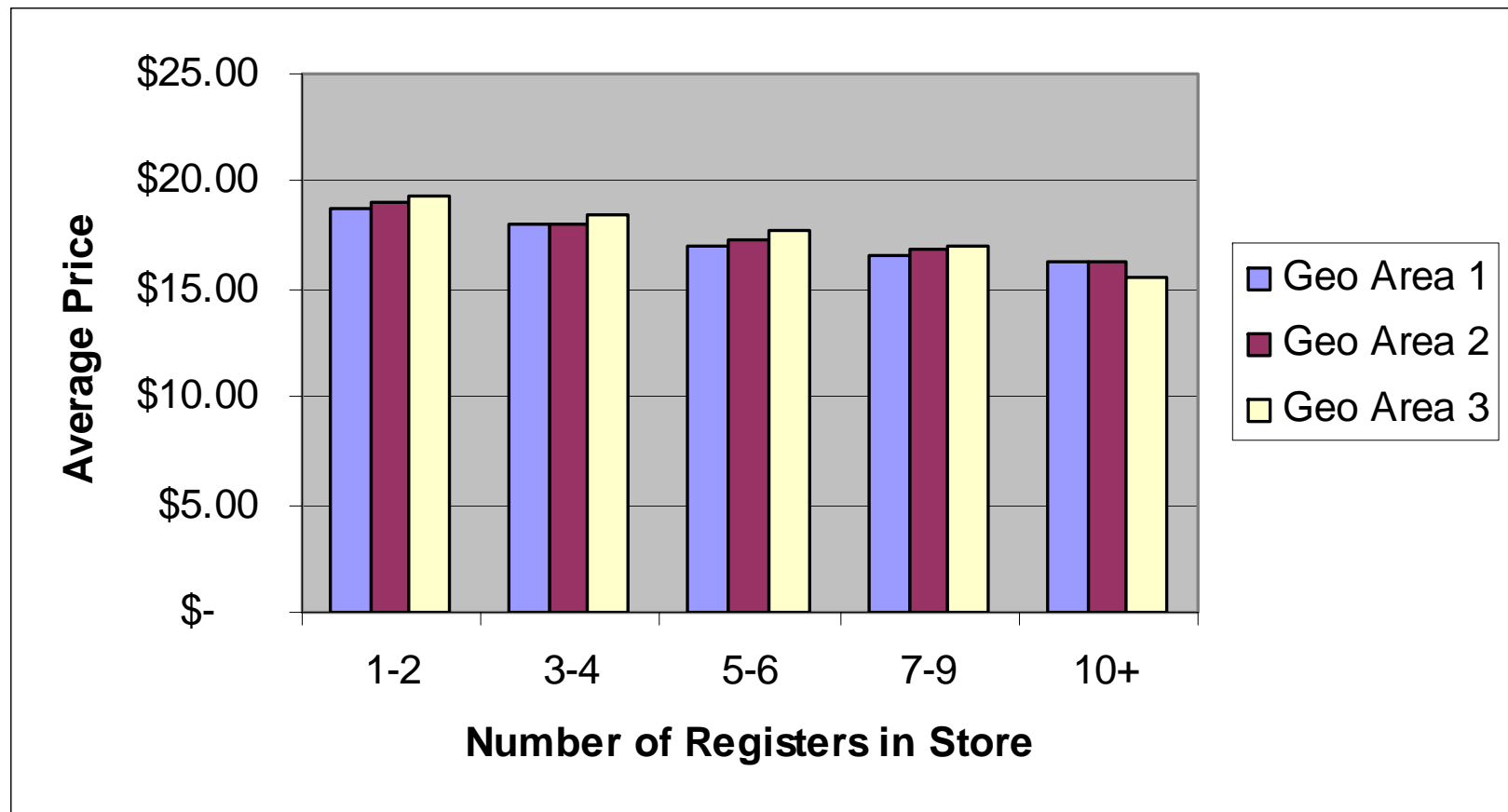
Relationship of Number of Registers and Average Price within Geographical Area

Cereal FI (April – June 2006) – All Geographical Areas



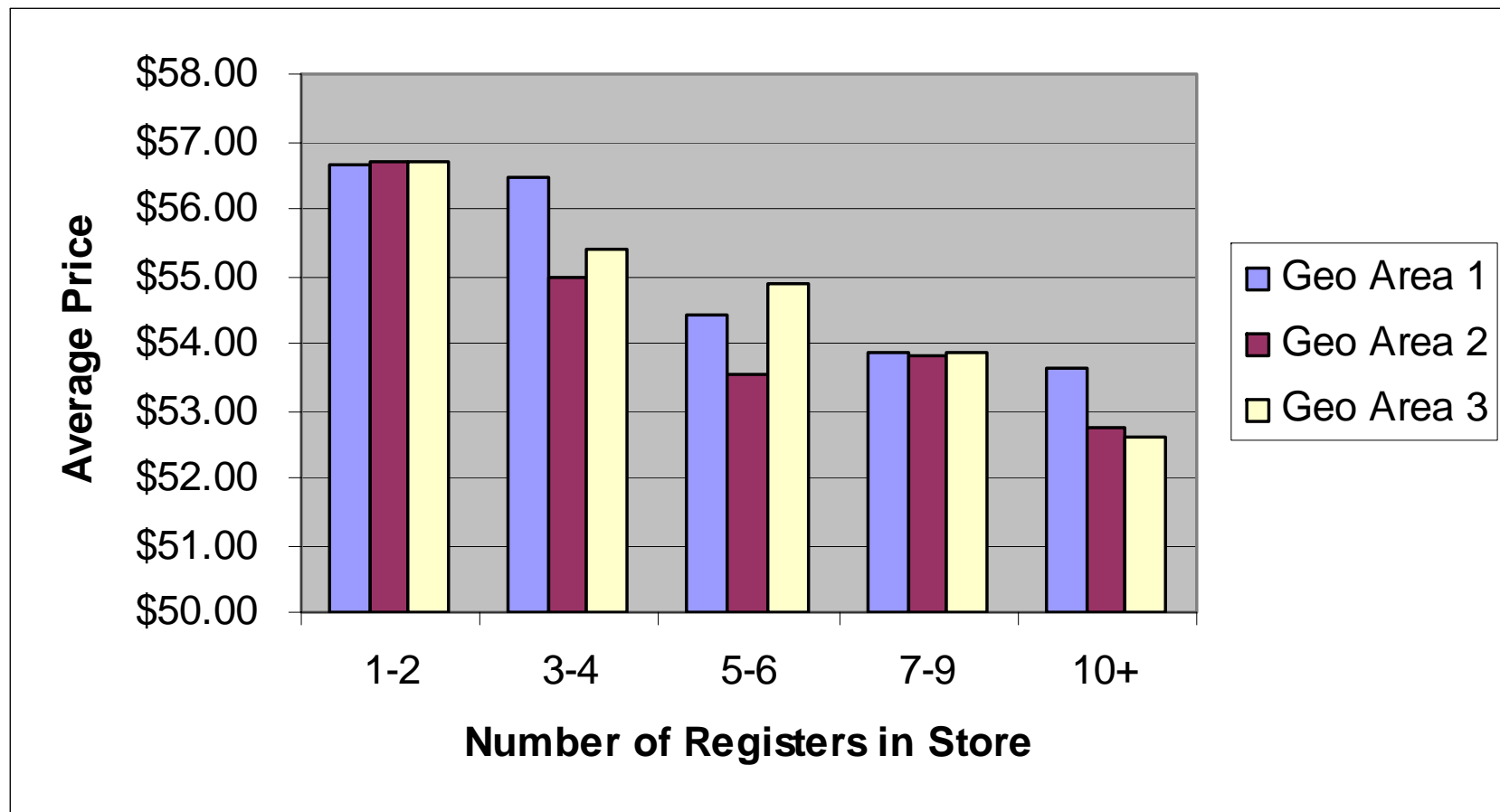
Relationship of Number of Registers and Average Price within Geographical Area

Combo Milk/Cheese/Egg FI (April – June 2006) – All Geographical Areas



Relationship of Number of Registers and Average Price within Geographical Area

Infant Formula (April – June 2006) – All Geographical Areas



Peer Group Methodology Summary

Vendor Store Type	Geographic Area	Number Registers	Peer Group
Above-50-Percent	Statewide	NA	1
Regular	1	1-2	2
Regular	1	3-4	3
Regular	1	5-6	4
Regular	1	7-9	5
Regular	1	10+	6
Regular	2	1-2	7
Regular	2	3-4	8
Regular	2	5-6	9
Regular	2	7-9	10
Regular	2	10+	11
Regular	3	1-2	12
Regular	3	3-4	13
Regular	3	5-6	14
Regular	3	7-9	15
Regular	3	10+	16



Peer Group Methodology Summary

Vendor Store Type	Geographic Area	Number Registers	Peer Group	Number of Vendors
Above-50-Percent	Statewide	NA	1	697
Regular	1	1-2	2	206
Regular	1	3-4	3	96
Regular	1	5-6	4	170
Regular	1	7-9	5	320
Regular	1	10+	6	771
Regular	2	1-2	7	83
Regular	2	3-4	8	74
Regular	2	5-6	9	93
Regular	2	7-9	10	108
Regular	2	10+	11	385
Regular	3	1-2	12	108
Regular	3	3-4	13	95
Regular	3	5-6	14	100
Regular	3	7-9	15	72
Regular	3	10+	16	350



California's Peer Group Methodology

Communication:

- Letter to Business Owners – list of stores and their assigned peer group based upon WIC's record of peer group characteristics.
 - Every owner will receive a letter early September
 - Instructions will be included for updating store peer group characteristics, i.e., store type, number of registers and geography
- Vendors - Keep WIC informed of any changes in peer group characteristics:
 - Help to ensure credible peer groups and reimbursement rates
 - Help keep stores in correct peer group
- WIC - Continue to assess peer group characteristics:
 - To ensure credibility of peer groups for price comparability
 - To assess need for changes, eg., increased number of cash register groups

Establishing Reimbursement Rate for Each Peer Group

Maximum Allowable Department Reimbursement Rate (MADR) Calculation:

- Based on redemption prices for a 12 week period
- Each peer group will have an MADR for each FI type, e.g., 16 different MADRS for cereal
- Above-50-Percent Vendors: Average redemption price by FI type for all FIs redeemed at all regular vendors statewide

Establishing Reimbursement Rate for Each Peer Group

Sample MADR Rates

Above-50-Percent (Peer Group 1)

Food Item Code	Description	Calculated MADR
001	Milk - 1 Gal Fluid	\$ 3.16
266	Hansen's Apple Juice - 1 container	\$ 3.21
300	Cereal - 36 Ounces	\$ 7.67
729	Similac Advance Powder Formula - 1 can	\$ 13.42
900	Milk/Cheese/Egg Combination	\$ 16.50

Redemption data May 2006 through July 2006

Establishing Reimbursement Rate for Each Peer Group

Maximum Allowable Department Reimbursement Rate (MADR) Calculation:

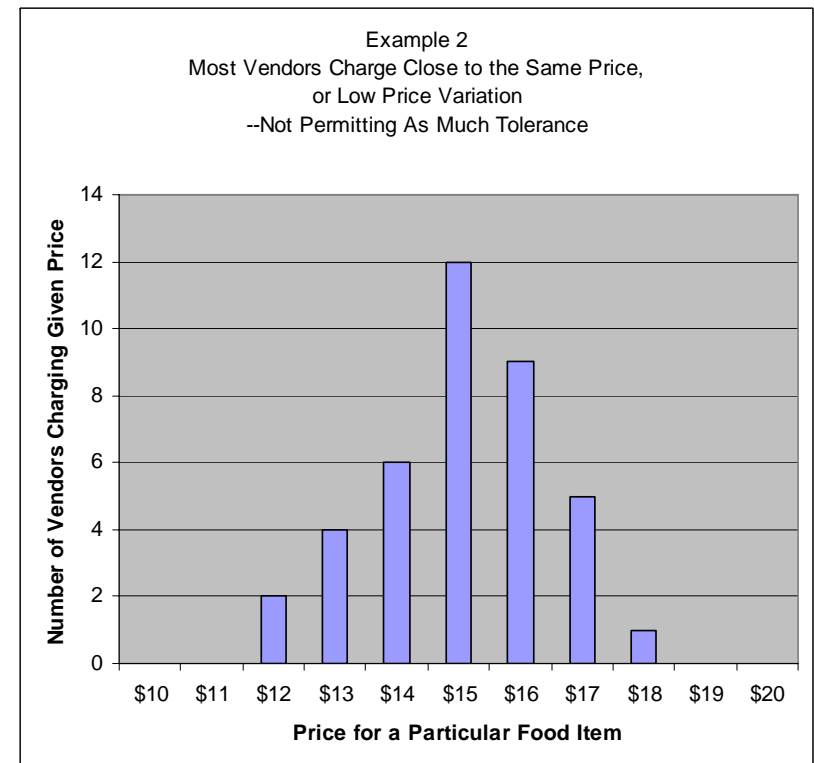
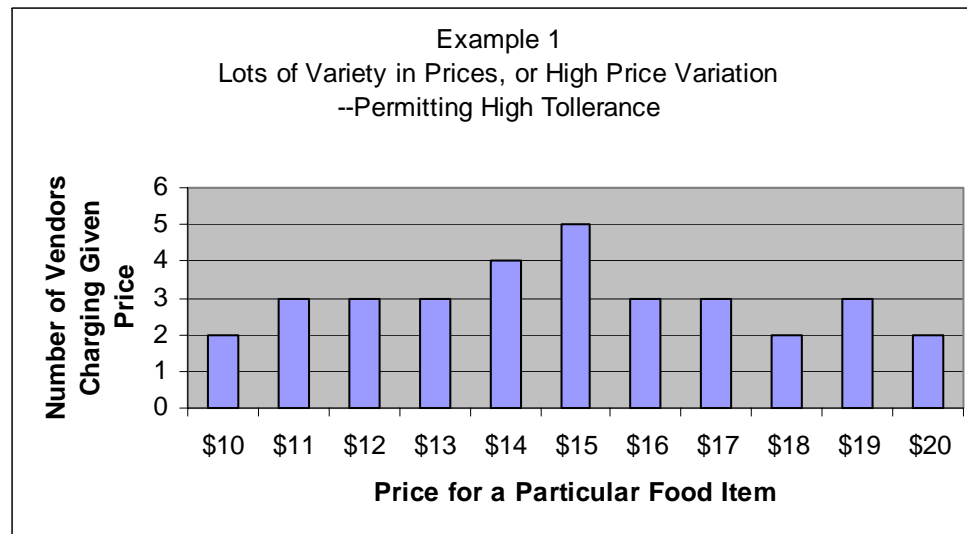
- Regular Vendors: Average redemption price by FI type for all FIs within each peer group plus a tolerance

Determining Maximum Reimbursement Rate for Each Peer Group

Setting the Tolerance (for regular vendors)

- The amount of tolerance added to the average redemption price for each FI type depends on the amount of variance in the redemption prices as determined through a statistical calculation
- Where variance in FI item selection and prices are greater, there is a higher tolerance:
 - ☐ Cereal
 - ☐ Combo Milk/Cheese/Eggs
- Where variance is low, tolerance is not as large:
 - ☐ Formula
 - ☐ Juice

Establishing Reimbursement Rate for Each Peer Group Tolerance



Establishing Reimbursement Rate for Each Peer Group

Sample MADR Rates

Milk – 1 Gallon Fluid Regular Vendors (Peer Groups 2-16)

Geography	Number Cash Registers	Peer Group	Avg Price for Peer Grp	Calculated MADR
GEO Area 1	1 to 2	02	\$ 3.31	\$ 4.17
	3 to 4	03	\$ 3.37	\$ 4.14
	5 to 6	04	\$ 3.29	\$ 4.03
	7 to 9	05	\$ 3.16	\$ 4.11
	10+	06	\$ 3.11	\$ 3.92
GEO Area 2	1 to 2	07	\$ 3.53	\$ 4.12
	3 to 4	08	\$ 3.36	\$ 4.17
	5 to 6	09	\$ 3.26	\$ 4.18
	7 to 9	10	\$ 3.29	\$ 4.10
	10+	11	\$ 3.22	\$ 4.19
GEO Area 3	1 to 2	12	\$ 3.48	\$ 4.07
	3 to 4	13	\$ 3.45	\$ 4.19
	5 to 6	14	\$ 3.34	\$ 4.20
	7 to 9	15	\$ 3.23	\$ 4.20
	10+	16	\$ 2.98	\$ 4.15

Redemption data May 2006 through July 2006

Establishing Reimbursement Rate for Each Peer Group

Sample MADR Rates

Hansen's Apple Juice – 1 Container Regular Vendors (Peer Groups 2-16)

Geography	Number Cash Registers	Peer Group	Average Amount Redeemed	Calculated MADR
GEO Area 1	1 to 2	02	\$ 3.30	\$ 3.96
	3 to 4	03	\$ 3.28	\$ 4.06
	5 to 6	04	\$ 3.26	\$ 3.95
	7 to 9	05	\$ 3.27	\$ 3.98
	10+	06	\$ 3.25	\$ 4.06
GEO Area 2	1 to 2	07	\$ 3.28	\$ 3.92
	3 to 4	08	\$ 3.18	\$ 3.88
	5 to 6	09	\$ 3.17	\$ 4.04
	7 to 9	10	\$ 3.29	\$ 4.00
	10+	11	\$ 3.18	\$ 4.27
GEO Area 3	1 to 2	12	\$ 3.42	\$ 3.79
	3 to 4	13	\$ 3.31	\$ 3.97
	5 to 6	14	\$ 3.34	\$ 3.98
	7 to 9	15	\$ 3.23	\$ 4.03
	10+	16	\$ 3.10	\$ 4.20

Redemption data May 2006 through July 2006

Establishing Reimbursement Rate for Each Peer Group

Sample MADR Rates

Cereal - 36 Ounces Regular Vendors (Peer Groups 2-16)

Geography	Number Cash Registers	Peer Group	Avg Price for Peer Grp	Calculated MADR
GEO Area 1	1 to 2	02	\$ 9.60	\$ 12.73
	3 to 4	03	\$ 8.96	\$ 12.41
	5 to 6	04	\$ 7.76	\$ 11.61
	7 to 9	05	\$ 7.43	\$ 11.56
	10+	06	\$ 7.45	\$ 11.48
GEO Area 2	1 to 2	07	\$ 9.40	\$ 12.73
	3 to 4	08	\$ 8.89	\$ 12.42
	5 to 6	09	\$ 8.33	\$ 12.23
	7 to 9	10	\$ 7.75	\$ 12.10
	10+	11	\$ 7.74	\$ 12.69
GEO Area 3	1 to 2	12	\$ 10.09	\$ 12.79
	3 to 4	13	\$ 8.95	\$ 12.58
	5 to 6	14	\$ 8.37	\$ 12.27
	7 to 9	15	\$ 7.89	\$ 12.12
	10+	16	\$ 7.13	\$ 11.71

Redemption data May 2006 through July 2006

Establishing Reimbursement Rate for Each Peer Group

Sample MADR Rates

Infant Formula – 1 Can Regular Vendors (Peer Groups 2-16)

Geography	Number Cash Registers	Peer Group	Avg Price for Peer Grp	Calculated MADR
GEO Area 1	1 to 2	02	\$ 14.21	\$ 14.86
	3 to 4	03	\$ 14.18	\$ 15.00
	5 to 6	04	\$ 13.63	\$ 14.61
	7 to 9	05	\$ 13.50	\$ 14.63
	10+	06	\$ 13.44	\$ 14.58
GEO Area 2	1 to 2	07	\$ 14.23	\$ 14.77
	3 to 4	08	\$ 13.77	\$ 15.15
	5 to 6	09	\$ 13.42	\$ 15.07
	7 to 9	10	\$ 13.57	\$ 14.74
	10+	11	\$ 13.17	\$ 14.59
GEO Area 3	1 to 2	12	\$ 14.22	\$ 15.05
	3 to 4	13	\$ 13.84	\$ 15.26
	5 to 6	14	\$ 13.75	\$ 15.01
	7 to 9	15	\$ 13.46	\$ 14.74
	10+	16	\$ 13.14	\$ 14.72

Redemption data May 2006 through July 2006

Establishing Reimbursement Rate for Each Peer Group

Sample MADR Rates

Combo Milk/Cheese/Eggs FI Regular Vendors (Peer Groups 2-16)

Geography	Number Cash Registers	Peer Group	Avg Price for Peer Grp	Calculated MADR
GEO Area 1	1 to 2	02	\$ 18.76	\$ 22.52
	3 to 4	03	\$ 18.04	\$ 22.61
	5 to 6	04	\$ 17.06	\$ 22.30
	7 to 9	05	\$ 16.48	\$ 21.99
	10+	06	\$ 16.23	\$ 21.83
GEO Area 2	1 to 2	07	\$ 19.02	\$ 22.42
	3 to 4	08	\$ 17.88	\$ 22.34
	5 to 6	09	\$ 17.17	\$ 22.05
	7 to 9	10	\$ 16.81	\$ 22.08
	10+	11	\$ 16.41	\$ 23.00
GEO Area 3	1 to 2	12	\$ 19.24	\$ 22.77
	3 to 4	13	\$ 18.46	\$ 22.58
	5 to 6	14	\$ 17.74	\$ 22.74
	7 to 9	15	\$ 16.93	\$ 22.47
	10+	16	\$ 15.60	\$ 22.37

Redemption data May 2006 through July 2006

Establishing Reimbursement Rate for Each Peer Group

How often will the MADR rates be calculated?

- Every two weeks using redemption data for preceding 12 weeks for all vendors
- Published at 12:01am on Sunday to be effective the following Tuesday at 12:01am
 - MADRs effective Sunday October 1, will be posted on the new WIC vendor information website week of September 25; will be mailed to business owners during week of September 18.
 - Future updates to the MADR rates will be posted on the WIC secure website (VWIX*).

* VWIX – Vendor WIC Information Exchange

Accessing Reimbursement Rate Information

- Access WIC secure website (VWIX*) using the same user ID and password WIC gave to you to get into the AAV system
- Using the VWIX website, vendors will have access to the rates applicable to each store's peer group
- If a vendor does not have computer access, call WIC Technical Support (800) 224-7472

* VWIX – Vendor WIC Information Exchange

Changes in FIs and Participant Shopping Practices

- “MUST NOT EXCEED” dollar amount removed from FIs issued to all vendors. All FIs will have “#####” for the maximum value amount.
- Cashiers and WIC participants will not see printed MADR (exception: FIs printed for regular stores prior to October 1, will have printed amount).
- Participants will not be trained about MADRs.
- WIC expects participants to focus upon the correct type and amount of food listed on the FI.
- Vendors are accountable for setting prices that are competitive with their peers.

Fls that Exceed the MADR Amount

- Fls that exceed the MADR amount will be returned (stamped “Exceeds Maximum Amount”). This is no change.
- What can vendors do?
 - Short term – October 1
 - Adjust the exact purchase amount and resubmit
 - WIC will make applicable rate available
 - Long term – Spring 2007
 - Vendor will no longer adjust the price and resubmit
 - WIC will periodically make a payment to the vendor for Fls returned due to exceeding the MADR
- If vendors have prices that are competitive with others in their peer group, there should be few Fls that exceed the MADR

Any Authorized Vendor (AAV)

AAV is coming in October, 2006! Are you ready?

- July issue of WIC Vendor News has focus on AAV. Access newsletter via WIC website:
www.wicworks.ca.gov
- Vendor readiness period is extended to October 20, 2006. Vendors need to be submitting all serial numbers from WIC FIs in all stores before depositing FIs into the bank.

Any Authorized Vendor (AAV)

- FIs will no longer be printed store specific
- FIs will be payable to “WIC Authorized Vendor”
- October 1 – December 31, vendors will see two versions of FIs:
 - Vendor name specific - FIs printed before October 1 will be vendor specific and must be accepted only at the vendor printed on the FI
 - WIC Authorized Vendor - printed some time after October 1. Participants may use these at any vendor authorized to redeem WIC FIs

Any Authorized Vendor (AAV)

FI Serial Number Submission Options for Vendors

- Telephone – Enter Serial Numbers
- Web Entry – Enter Serial Numbers
- Electronic File Submission – Direct Submission
- Electronic File Submission – File Upload



Any Authorized Vendor (AAV)

Vendor Readiness Practice Time is Now!

- By now, each vendor has selected a submission option
- Starting September 1, 2006 vendors will submit serial numbers of FIs accepted each day using their selected submission option as a practice for October implementation
- The Goal: all vendors will submit all FI serial numbers from all stores by October 20, 2006
- If vendors have not tested submitting serial numbers by October 20, 2006, the local WIC agencies will be unable to print any vendor-specific FIs for that vendor location
- WIC will monitor the submissions and contact vendors to provide assistance
- For questions, call WIC Technical Support (800) 224-7472

Any Authorized Vendor (AAV)

Vendor Readiness Practice Time is Now!

AAV Options & Vendor Readiness Practice (as of September 12, 2006)						
Submission Option	Total Contracts	Contracts Practiced Submission	Contracts Percentage Practiced	Total Stores	Stores Practiced Submission	Stores Percentag Practiced
Telephone	384	210	55%	409	228	56%
Website Serial Number Entry	373	151	40%	536	230	43%
Website File Upload	35	15	43%	47	17	36%
Electronic FTP Submission	315	126	40%	2583	2018	78%
Remaining Non- Responsive	68	0	0	76	0	0
Total	1175	502	43%	3651	2493	68%

How will the FI change?

INDIVIDUAL NO.	PARTICIPANT / PARENT / GUARDIAN	FIRST DAY TO USE	LAST DAY TO USE	SERIAL NO.
123456789IM	IVETTE PARTICIPANT	OCTOBER 01 06	OCTOBER 30 06	012345678

Pay to the order of:
WIC AUTHORIZED VENDOR

WIC PROGRAM
State of California

VALID FOR WIC APPROVED FOOD ONLY.
VOID IF NOT DEPOSITED WITHIN 45 DAYS OF
"FIRST DAY TO USE." NOT VALID IF ALTERED.

MILK/CHEESE/EGG

Kind to buy:
*MILK-COW, FLUID
PASTEURIZED(GALLONS ONLY)
*CHEESE-CHEDDAR, JACK,
AMERICAN, MOZZARELLA IN
0.75 LB (12 OZ) OR LARGER
*EGGS-AA WHITE, SM,MED,LG

How much to buy: UP TO:
2 GALLONS MILK, 2 DOZ EGGS
(DOZENS ONLY) 2 LBS CHEESE

700-012345678

90-1342
1211

EXACT PURCHASE PRICE:

*MUST NOT EXCEED MAXIMUM ALLOWABLE
DEPARTMENT REIMBURSEMENT RATE

\$ #####

AUTHORIZED SIGNATURE (SIGN AT PURCHASE)

⑈0700⑈ ⑆121113423⑆ 0123456789 ⑈

New WIC Logo



- Launching October 1
- Participants will look for the WIC logo to know if a store accepts WIC FIs
- WIC will provide vendors with window decals and posters with the logo in mid-September
- Information for ordering material with new logo will be sent to each vendor

What do vendors need to do now?

- Please alert store personnel of changes!
 - Personnel no longer need to check for:
 - Store name (except where printed on FIs issued before October 1)
 - Must not exceed amount (except where printed on FIs issued before October 1)
 - Instead, encourage personnel to help WIC participants:
 - Locate and select the correct foods
 - Purchase the correct amount of food
- Ensure your prices for supplemental foods are competitive with others in your peer group
- Practice AAV submission

The Transition – October 1 through December 31, 2006

- Beginning October 1, vendors will see multiple versions of FI:
 - FIs printed prior to October 1:
 - Store specific
 - With the printed not to exceed amount for FIs – for regular vendors
 - FIs printed on/after October 1:
 - WIC Authorized Vendor (Not store specific)
 - All FIs will have ##### in the “must not exceed” area

The Transition – October 1 through December 31, 2006

- When FI includes vendor name and address, it can only be redeemed by store printed on the FI
- FIs with printed “must not exceed” amount must be redeemed for a price up to that amount -- regardless of the current MADR
- For FIs where the MADR is ####, the MADR that WIC will pay is the MADR effective on the date the serial number is submitted to WIC

The Transition – October 1 through December 31, 2006

- Effective with the full implementation of AAV, you must submit the serial numbers from all FIs or they may be returned unpaid.
- AAV implementation will be announced a couple of days in advance via our two websites: www.wicworks.ca.gov and VWIX.
- WIC will be closely monitoring FI processing at the State Treasurer's Office (STO) to identify any problems with serial number submissions and will follow up with vendors
- For FIs payable to "WIC Authorized Vendor", WIC will not be able to identify which vendor redeemed it if the vendor did not submit the serial number. These will be returned unpaid.

Keeping Vendors Informed

- Vendor Forums
- WIC Vendor News – July and August issues
- Peer Group assignment – early September to business owners
- Grocer Alert on changes effective October 1 – mid September to all vendor locations
- WIC Vendor Readiness Teams
- WIC website: www.wicworks.ca.gov

Coming in 2007

- New WIC Food Package Regulations
 - ☐ Fruits and vegetables
 - ☐ Changes in quantities of some foods
 - ☐ Whole grain bread, tortillas, rice
 - ☐ Soy beverage and tofu
- Comments due to USDA by November 6, 2006
- Conference call with vendors
- Workgroup with vendors to implement changes

Questions and Answers